GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1021
ANSWERED ON:21.07.2017
NABARD Loan to Farmers
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Will the Minister of FINANCE be pleased to state:

(a) whether the National Bank for Agriculture and Rural Development (NABARD) provide refinance for Short Term (Seasonal Agricultural Operations) production purposes at concessional rate of 7 per cent for a loan of Rs. 3 lakh to the farmers through primary Agriculture Cooperative Credit Societies;

(b) if so, the details and salient features of the same;

(c) the reasons for reduction the eligible quantum of refinance from 50 per cent to 40 per cent of Reforming Loan (RPL) for the year 2015-16;

(d) whether the refinance limit of ? 5027 crore applied for by the Gujarat State Cooperative Banks has been reduced to ?3100 crore during 2015-16 and from ? 4579 crore during 2016-17 to ? 2939 crore thereby putting District Central Banks of the State under pressure in order to meet financial requirement of the farmers and if so, the details thereof;

(e) whether the NABARD has thus deprived 40 per cent of the eligible farmers of Gujarat from applying for a cheap short term agricultural loan of Rs. 3 lakh @ 7 per cent and if so, the details thereof; and

(f) the action taken/being taken by the Government in this regard in order to mitigate the fund requirement of State Co-operative Banks in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) to (f): The Short Term Cooperative Rural Credit (Refinance) Fund (STCRC) was set up in NABARD in 2008-09 with an initial corpus of ?5000 crore to provide short term refinance to Cooperative banks for their short term crop loan requirements. The fund is sustained through contributions by scheduled commercial banks out of their shortfall in achievement of priority sector lending targets.

NABARD provides refinance to eligible Cooperative banks at 4.5% interest for crop loan upto 3.00 lakh disbursed directly by Cooperative banks or through Primary Agricultural Societies (PACS) at 7% to ultimate borrower out of (STCRC) fund.

The refinance is provided to State Cooperative Banks on behalf of all the eligible District Central Cooperative Banks. The eligibility for sanction of credit limit depend upon DCCBs complying with CRAR criteria stipulated by RBI, completion of audit and NPA norms.

The quantum of refinance for Cooperative Banks depends on the corpus of STCRC Fund made out of the shortfall in priority sector lending targets by scheduled commercial banks. Based on the allocation of STCRC fund, the quantum of refinance that should be given worked out to 40% during 2016-17.

As reported by NABARD, during 2015-16 the limit sanctioned under STCRC to Gujarat StCB was ?3700 crore. In 2016-17 the initial sanctioned limit to Gujarat StCB was ? 2930 crore, which was later enhanced to ? 6000 crore due to raising of funds by NABARD for refinance to Cooperative banks, post demonetization.

Further, under the Interest Subvention Scheme, Banks are eligible for 2% interest subvention on crop loans to farmers given from their own funds, thus reducing their cost of funds to encourage them to meet crop loan requirement of all the eligible farmers affiliated to DCCBs/ PACS.

Post demonetisation the government has taken the following relief measures for the farmers in the cooperative sector:

(i) an additional grace period of 60 days for prompt repayment incentive @ 3% will be provided to such of the farmers whose crop loans dues fall due between 01/11/2016 to 31/12/2016 and if such farmers repay the same within 60 days from their due date in this period.
(ii) granted interest waiver for two months (November and December, 2016) for all short term crop loan availed from Cooperative Banks between 01.04.2016 to 30.09.2016 and upfront deposit of the same in the accounts of the concerned farmers.
(iii) NABARD raised market borrowing for short term borrowings at prevailing market rate of interest for ?17,880.78 crore and disbursed the same borrowing under refinance for on-lending to Cooperative Banks at 4.5% rate of interest during 2016-17.